



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

May 25, 2006

MEMORANDUM

TO: Chief Financial Officers
Chief Accountants
All State Departments and Agencies

FROM: Laura J. Mester, Director *LJM*
Accounting and Financial Reporting Division
Office of Financial Management (OFM)

SUBJECT: Governmental Accounting Standards Board (GASB) Statement
Number 42 - Accounting and Financial Reporting for Impairment of
Capital Assets and for Insurance Recoveries

This letter is to notify you of new reporting requirements and how those requirements will impact you. The state must implement GASB Statement No. 42, for the reporting period ending September 30, 2006. This statement establishes guidance for accounting and reporting for the impairment of capital assets (excluding inexhaustible assets and assets under the modified approach in certain instances) and for insurance recoveries, effective October 1, 2005.

The policy and procedures related to impairment of capital assets are located on our website: www.michigan.gov/budget under Office of Financial Management, Policy and Procedures, State of Michigan Financial Management Guide, Part II, Chapter 21, Section 950. The illustrations and flowcharts to GASB Statement No. 42 are in Exhibit A under Section 950. A new reporting form to report impaired capital assets to OFM is in Exhibit B under Section 950.

Please contact Mr. Tim Becker at (517) 241-0280 or Ms. Jane Hallitt at (517) 335-1618 if you have any questions concerning GASB Statement No. 42.

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